

25 July 2025

Dear Sir/Madam,

***Economic Reform Roundtable: Progressing Reform of the Deductible Gift Recipient System***

Philanthropy Australia thanks the Treasury for the opportunity to make a submission to the consultation process in advance of the Economic Reform Roundtable.

As part of the debate taking place over the coming weeks and months, it is critical to have a strong focus on reforms which can support the essential role of Australia's charities and not-for-profits.

By developing new ways to address complex social and environmental challenges, charities and not-for-profits help drive social innovation in Australia, influencing and improving government policy outcomes and program design.

Philanthropy plays a key role supporting this work, with the Australian Government having an objective to double giving by 2030.

Growing philanthropy and its impact is not an end in and of itself. It matters because it supports the work of charities and benefits the community. It's not a substitute for government, but rather a complement. It fulfils a different, but vital role.

The Australian Government commissioned two reviews in the previous term, released in 2024, focused on bolstering the work of charities and not-for-profits. The Productivity Commission's [Future Foundations for Giving](#) report and the [Not-for-profit Sector Development Blueprint](#) include practical and evidence-based proposals informed by extensive analysis and stakeholder consultation.

Rather than starting the from scratch, the Government should actively engage with their priority actions as part of developing an holistic productivity and tax reform agenda with a purposeful focus on building a more inclusive and resilient Australia.

In particular, Philanthropy Australia believes that **reform of the 'deductible gift recipient' system** should be a priority.

The *Future Foundations for Giving* report concluded that the DGR system, which determines whether charities are eligible to receive tax deductible donations, is 'not fit for purpose' and 'needs reform'.



**Finding 5.1**

**The deductible gift recipient (DGR) system is poorly designed, overly complex and has no coherent policy rationale**

The DGR system is not fit for purpose as a mechanism for determining which entities should be eligible to receive indirect government support through tax-deductible donations. There is no coherent policy rationale for why certain entities are eligible for DGR status and others miss out. The complexity of the system continues to increase as new DGR endorsement categories are added in a piecemeal manner.

The DGR system creates inefficient, inconsistent and unfair outcomes for donors, charities and the community. It needs reform.

Chapters 5 and 6 of the *Future Foundations for Giving* report set out detailed analysis of the current state of the DGR system and put forward recommendations for reform, based on good practice tax design principles of **Efficiency, Equity, Simplicity, and Accountability and Transparency** (see pages 137 and 180 of the *Future Foundations for Giving* report).

Around half of registered charities are ineligible for DGR status, cutting them off from accessing many sources of philanthropy.

Currently, a charity focused on preventing *illnesses* in children is eligible for DGR status, whereas a charity focused on preventing *injuries* to children is ineligible. There was a submission (no.44) to the Productivity Commission from a charity which had won the Nobel Peace Prize, but was told it couldn't get DGR status. These are just two examples of the non-sensical outcomes arising from the current design of the DGR system – there are many more.

This complexity and inequity has a real and tangible impact on many charities, forcing them to grapple with unnecessary red tape. This drains resources and distracts from their core work.

The centrepiece proposal in the *Future Foundations for Giving* report was endorsed by the Not-for-profit Sector Development Blueprint as one of its 'Foundation' initiatives for creating a better 'Enabling operational and regulatory environment for the Not-for-profit sector to thrive'.

These reports build on other Australian Government commissioned reports which have recommended an overhaul of the system. These include the *Not-for-profit Sector Tax Concession Working Group* report (2013), the Productivity Commission's *Contribution of the Not-for-profit Sector* (2010), and the former Industry Commission's *Charitable Organisations in Australia* (1995).

Reform of the DGR system:

1. Is in the **national interest** – it is not about benefiting any single cause or sub-sector. The charities currently cut out of the DGR system, and which would benefit from reform to simplify the system and expand its scope, include community-run charities such as neighbourhood houses, those supporting LGBTQIA+ Australians, and advocacy charities focused on the causes of disadvantage.
2. Is **fiscally responsible** – it involves relatively modest tax expenditures. The terms of reference for the *Not-for-profit Sector Tax Concession Working Group* (2013) process referred to above specifically required recommendations to be made within the existing envelope of support through tax concessions, and it would be open to the Australian Government to engage with stakeholders to re-examine its work.
3. Is a **specific and practical** proposal – the work has been done by the Productivity Commission to identify and detail the changes needed, and provide advice on implementation. There are now five major reports that have recommended reforming the DGR system, two delivered in 2024. We shouldn't be waiting for a sixth or seventh report to recommend an overhaul of the DGR system, yet again.

Philanthropy Australia would welcome the opportunity to engage with our partners, the Treasury and the Australian Government to discuss and progress this reform opportunity further as part of the Government's productivity and tax reform agenda.

Kind Regards



**Maree Sidey**

Chief Executive Officer